



#26

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BOARD OF PATENT APPEALS AND INTERFERENCES

REPLY BRIEF

RESPONSIVE TO THE EXAMINER'S ANSWER MAILED APRIL 5, 2004

Appellants:)	
Jay S. Walker, Andrew S. Van)	Group Art Unit: 3622
Luchene, Deirdre O'Shea, Dean)	
Alderucci)	Examiner: J. Carlson
)	
Application No.: 09/260,437)	
)	
Filed: March 2, 1999)	
)	
For: METHOD AND APPARATUS)	
FOR FACILITATING THE)	
SALE OF SUBSCRIPTIONS)	
TO PERIODICALS)	

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GROUP 3600

Several arguments dispositive of the patentability of the claims were presented in Appellants' Appeal Brief, and were not even addressed by the Examiner, either in the Examiner's Answer or anywhere else in the record.

Other arguments dispositive of the patentability of the claims were presented in the Appellants' Appeal Brief, and were not successfully rebutted by the Examiner, either in the Examiner's Answer or anywhere else in the record.

Accordingly, no prima facie case of unpatentability has been made.

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I. ARGUMENTS APPLICABLE TO ALL CLAIMS WERE NOT ADDRESSED BY THE EXAMINER

Since the following arguments are dispositive of the patentability of the claims, but were never addressed by the Examiner, no *prima facie* showing of unpatentability has been made.

A. A Limitation Which is Present in Every Claim Remains Unaddressed

Every independent claim (claims 1 and 70 - 72) recites the following limitation:

outputting an offer for a rebate in exchange for establishing a subscription to a periodical

Appeal Brief, page 8, Section 1. Thus, every claim includes this limitation. The references do not suggest this limitation.

Nonobvious Advantages and Unexpected Results of the Limitation

The prices of periodical subscriptions are essentially 'price controlled' - they are artificially high. Publishers (or other sellers of subscriptions) are essentially compelled to charge no less than a minimum price, although they would gladly charge much less were they permitted to do so. Appeal Brief, pages 9 - 10, Section 1.2. Thus, the publisher does not sell as many paid subscriptions as it would if it could charge a lower price.

Providing a rebate to those who pay for a subscription overcomes this disadvantage, and thereby spurs greater sales of subscriptions. A subscription can still be sold for the artificially-high minimum price, while the accompanying

rebate can offset some (or all) of the subscription price paid by the customer. Thus, the publisher can fund rebates in a way that lowers the price customers effectively pay for accompanying subscriptions to any price desired by the publisher. Appeal Brief, pages 9 - 10, Section 1.2.

Thus, *a rebate in exchange for establishing a subscription to a periodical* has unexpected benefits - a publisher can drastically reduce the effective price of a periodical subscription, causing tremendous increases in subscription sales. The publisher can lower the price paid by the customer without breaking the price control on the subscription. Appeal Brief, pages 9 - 10, Section 1.2.

Further, by *offering this rebate*, the customer who does not initially intend to purchase a subscription can be persuaded to do so. Thus, subscription sales are increased by those customers who did not initially purchase a subscription, but were prompted to do so by accepting the offer. Appeal Brief, pages 9 - 10, Section 1.2.

Even if Combinable, the References Do Not Yield This Limitation

As argued in the Appeal Brief, pages 11 - 13, Section 1.3.1, no references disclose or suggest

outputting an offer for anything in exchange for establishing a subscription to a periodical,

much less:

outputting an offer for a rebate in exchange for establishing a subscription to a periodical.

In the Examiner's Answer, the Examiner fails to address the limitation of *an offer*, which is present in every claim. Instead, the Examiner merely addresses the possibility that a rebate might accompany the purchase of a subscription. The Examiner nowhere describes how the combination of references could yield *an offer for a rebate in exchange for establishing a subscription to a periodical*.

The claimed limitation of *an offer for a rebate in exchange for establishing a subscription to a periodical* clearly boosts subscription sales - some people who did not initially intend to purchase a subscription will do so upon receiving the attractive *offer*.

B. The References Do not Hint at the Problem to Solve or the Advantages of the Solution

A rebate on a price-controlled item, specifically a subscription for a periodical, provides unexpected and powerful advantages. Appeal Brief, pages 9 - 10, Section 1.2. The Examiner has not argued that any reference of record indicates any recognition or appreciation of this problem, the advantages of its solution, or the particular solution of the pending claims.

In particular, no reference of record shows that those of skill in the art recognized:

1. that subscription prices are price controlled and artificially high;
2. that the price controls on subscriptions prevent many subscriptions from being sold to customers willing to pay only lesser amounts;
3. that sales could be increased if, paradoxically, the price paid by the customer could be lowered without lowering the price charged for the subscription;

4. that *a rebate in exchange for establishing a subscription* is a powerful mechanism for lowering the price paid by the customer without the price charged for the subscription

The problem confronting the inventor and the advantages of the invention must be considered in the Section 103 analysis. Appeal Brief, pages 10 - 11, Section 1.3 and authorities cited therein.

C. The Examiner Provided No Motivation to Combine the References

Obviousness is established only when the prior art suggests a motivation for the proposed combination of references. Appeal Brief, page 14, Section 1.3.2 and authorities cited therein.

The Examiner has not indicated any portion of the prior art that motivates the particular combination of references used in the rejection. Appeal Brief, pages 14 - 15, Section 1.3.2. Instead, the Examiner merely argues that the elements of the claims exist in the prior art (Examiner's Answer, pages 6 - 7), and their combination (the claimed invention) would be beneficial (Examiner's Answer, page 7). Clearly, this is the essence of hindsight reconstruction.

Appellants note that Johnsen and Gottlich deal with rebates for products at a grocery store. Rebates for many types of groceries in a grocery store are known. Coupons are provided for such groceries in various ways, such as via mail, newspapers and magazines. See, e.g., Johnsen, Col. 1, lines 41 - 47.

However, no evidence in the record shows that any sort of rebate was ever provided for establishing subscriptions. The record merely demonstrates that *prepaid subscription-order forms* could be sold at a retail store. Appeal Brief, pages 12 - 13, Section 1.3.1.

Nevertheless, the Examiner begins by broadly declaring (without support) that "any type of coupon/rebate/savings incentive, including a rebate or discount" for a subscription purchase would be obvious. Examiner's Answer, page 3. The Examiner similarly argues that rebates would be provided with subscription purchases "for the same reasons that countless other retail products/services are offered via incentives". Examiner's Answer, page 7.

Thus, according to the Examiner, the particular invention of the pending claims, which involves rebates, must be *de facto* obvious, despite its nonobvious and synergistic advantages. The Examiner then offers the benefits of the combination (i.e. the claimed invention) as further proof of a motivation to combine. Examiner's Answer, page 3.

Note that the Examiner's conclusion that "any type of coupon/rebate/savings incentive" would be obvious eliminates the need for class 705/14, which the U.S. Patent and Trademark Office itself defines as "Incentive Programs, Coupons". See, e.g., <http://www.uspto.gov/web/menu/pbmethod/contact.htm>.

In response to Appellants' arguments that no motivation to combine exists in the prior art, the Examiner admits that no evidence in the record provides such a motivation. The Examiner instead relies on undocumented common knowledge as a motivation to combine the references. Examiner's Answer, page 8 ("the examiner-provided benefits are taken to be within the knowledge of one of ordinary skill and these benefits surely provide motivation").

This "motivation" is not only impermissible as unsupported by substantial evidence (Appeal Brief, pages 17 - 18, Section 1.3.5), but is also a completely improper analysis. The Examiner's argument is that since the invention is beneficial, and the benefits of the invention, *once described*, would be understood by one of skill in the art, the combination must be obvious. This is not the

standard for obviousness - the prior art must provide some teaching or suggestion to combine and modify references. Appeal Brief, pages 14 - 15, Section 1.3.2.

In summary, the record demonstrates no motivation to combine Folio's sale of subscriptions with a combination of in which rebates are provided in exchange for a purchase.

A conclusion that Folio, Gottlich and Johnsen could be combined in the manner proposed is an invariable conclusion that it would be obvious to provide all types of rebate programs involving any items sold in a retail store, regardless of the advantages and regardless of the actual rebates employed in the prior art.

D. The Examiner Has Not Shown the References to Be Analogous

In order to rely on a reference as a basis for rejection of the applicant's invention, the reference must either be

- (i) in the field of the applicant's endeavor or, if not, then be
- (ii) reasonably pertinent to the particular problem with which the inventor was concerned. Appeal Brief, pages 15 - 16, Section 1.3.3 and authorities cited therein.

The Appellants have demonstrated, and the Examiner has not refuted, that the particular problem with which the inventors were concerned includes "facilitating the sale of subscriptions to periodicals". Appeal Brief, page 16, Section 1.3.3.

As Appellants have argued (without contradiction by the Examiner), nothing in the record suggests why one who was trying to boost subscription sales would look to Johnsen or Gottlich, much less both. Appeal Brief, pages 15 - 16, Section 1.3.3. Johnsen and Gottlich have nothing at all to do with periodicals, much less increasing the sales of subscriptions.

However, the Examiner has selected Johnsen and Gottlich not because they are in the field of the applicant's endeavor and not because they are reasonably pertinent to the particular problem, but solely because the references are "gathered with the claimed invention in mind". Pentec, Inc. v. Graphic Controls Corp., 776 F.2d 309, 313 (Fed. Cir. 1985). This is impermissible hindsight.

The Examiner argues that Johnsen and Gottlich are analogous because they "two teach rebates/incentives/coupons for retail products". However, this characterization is neither relevant to the field of periodical subscription, nor reasonably pertinent to the problem of boosting subscription sales. Instead, Johnsen and Gottlich are selected because they relate to the novel solution of the claims, which includes *outputting an offer for a rebate in exchange for establishing a subscription to a periodical*.

E. Insufficient Showing of the Level of Skill in the Art

A factual predicate underlying an obviousness determination is the level of ordinary skill in the art. The skill level is one component of the inquiry for a suggestion to combine. Appeal Brief, page 16, Section 1.3.4.

Despite Appellants' arguments, there has been no hint as to which field of endeavor the Examiner considered relevant to the pending claims. Appeal Brief, pages 16 - 17, Section 1.3.4.

Appellants argued that the field of endeavor is the sale of subscriptions to periodicals. Appeal Brief, pages 15 - 16, Section 1.3.3. The Examiner nowhere confirmed or denied that he considered this to be the field of endeavor. In fact, the record is silent as to what field the Examiner considered.

Further, there has been no showing as to the ordinary level of skill in this field. In fact, the Examiner remarkably asserts that the level of ordinary skill need not be defined. Examiner's Answer, page 8.

As argued in the Appeal Brief, pages 16 - 17, Section 1.3.4, based on the present record, one could only conclude that the level of skill is low. No reference cited by the Examiner even addresses any problems that are addressed by the present invention or the solution provided by the claims. The record does not show why the person of ordinary skill in the art would even be aware of the problem of price-controlled subscriptions, much less any manner which would allow the problem to be overcome. The Examiner has not even alleged this.

Although the Examiner failed to define both the field of endeavor and the level of ordinary skill in that field, the Examiner confusingly and implausibly asserts that "the provided combinations, motivations and interpretations are reasonably within the knowledge of one having 'ordinary skill' ". Examiner's Answer, page 8.

Since the record indicates neither the field of endeavor nor the ordinary level of skill in this field, the record cannot demonstrate that all the proposed motivations are within the knowledge of one having ordinary skill in that field.

F. Advantages of the Claims Need Not (and Often Cannot) Be Recited in the Claims

The Examiner admits disregarding Appellants' arguments that the claims possesses several nonobvious advantages which the prior art failed to recognize. Examiner's Answer, page 6. The reason for disregarding such advantages is that the advantages are not "represented in the claims as required limitations". Examiner's Answer, page 6. Clearly, the advantages of a claim need not be recited - only the claim features which provide those advantages. For example, a machine which operated faster than similar prior art machines need not recite the word "faster" if the claimed structure in fact yielded a faster machine.

G. Without a Motivation to Combine, It Is Irrelevant Whether the Combination of References Yields the Claimed Invention

The Examiner also states the Appellants' arguments are unpersuasive because the advantages of the claims "can be achieved with the proposed combination" of references. Examiner's Answer, page 6.

However, whether the elements of the claims exist in disparate parts of the prior art is irrelevant to the obviousness inquiry. The fact that a combination of references would be beneficial has nothing to do with whether the prior art teaches a motivation to combine the references in the manner proposed. See, e.g., In re Piasecki, 745 F.2d 1468, 1473 (Fed. Cir. 1984) (peer recognition of the benefits of an invention is not evidence of obviousness)

In fact, the advantages are not disclosed by any prior art of record, and thus are evidence of nonobviousness of the combination.

H. Success over the Prior Art is Relevant to Obviousness

Appellants argued that the Folio system of selling subscriptions in a retail store is no more successful than any other traditional technique for selling subscriptions. Appeal Brief, pages 12 - 13, Section 1.3.1. Since the invention achieves higher sales than traditional technique, it is likewise superior to Folio's system.

The Examiner merely disregarded this argument as "superfluous", but did not elaborate further. Examiner's Answer, page 7. However, this evidence (as well as all of the advantages of the invention) is indicative of the obviousness of the invention and may not be disregarded.

II. ARGUMENTS APPLICABLE TO GROUP II WERE NOT ADDRESSED BY THE EXAMINER

A. The Examiner Provided No Motivation to Combine the References

Appellants argued that the prior art demonstrates no motivation to combine Johnsen, Gottlich, Folio and Von Kohorn in the manner proposed. Appeal Brief, pages 19 - 21, Section 2.3.1.

In response, the Examiner merely argues that the combination of references would yield the limitations of claim 5. Examiner's Answer, pages 8 - 9 ("The proposed combination provides retrieval of an identified incentive ... from the pool a [sic of] plural stored incentives").

Clearly, this is not an argument that the prior art provides a motivation, but is a legally irrelevant assertion. See II(G) above.

III. ARGUMENTS APPLICABLE TO GROUP III WERE NOT ADDRESSED BY THE EXAMINER

A. Claim Not Addressed

Appellants argued that the limitations of claim 22 ("selecting the periodical based on the at least one item") were not addressed. Appeal Brief, pages 24 - 25, Section 3 - 3.3.

In response, the Examiner merely argues that there is "a rebate offer related to an item". Examiner's Answer, page 9.

Clearly, this is an insufficient argument regarding the specific limitations of the claim.

IV. ARGUMENTS APPLICABLE TO GROUP IV WERE NOT ADDRESSED BY THE EXAMINER

A. Claim Not Addressed

Appellants argued that the limitations of claim 31 ("the at least one item comprises an issue of the periodical") were not addressed. Appeal Brief, pages 24 - 25, Section 3 - 3.3.

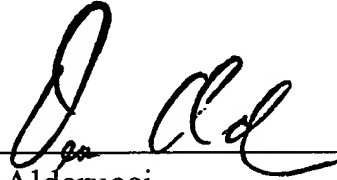
In response, the Examiner merely argues that "the subscription package ultimately includes an issue of the magazine". Examiner's Answer, page 5.

Clearly, this is an insufficient argument regarding the specific limitations of the claim, in which the item purchased (not the subscription offered) is an issue of the same periodical offered.

CONCLUSION

Thus, the Examiner's rejection of the pending claims is improper at least because the references, alone or in combination, do not disclose or suggest all the limitations of any claim. In addition, in the obviousness rejections the Examiner has improperly combined the references because there is no adequate reasoning or support in the prior art for making the proposed combination. Therefore, Appellants respectfully request that the Examiner's rejections be reversed.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Dean Alderucci', is written over a horizontal line.

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**TRANSMITTAL LETTER
(General - Patent Pending)**Docket No.
98-116

Application Of: JAY S. WALKER et al.

Serial No.
09/260,437Filing Date
March 2, 1999Examiner
J. CARLSONGroup Art Unit
3622

Title:

METHOD AND APPARATUS FOR FACILITATING THE SALE OF SUBSCRIPTIONS TO PERIODICALSTO THE COMMISSIONER FOR PATENTS:

Transmitted herewith is:

Certificate of Mailing by Express Mail, (EV434179091US), 1 pg.;
Reply Brief to Examiner's Answer, 16 pp., (x3); and
Return Receipt Postcard.

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Dated: June 7, 2004

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Applicant(s): JAY S. WALKER et al.

Docket No.

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Serial No.

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Filing Date

March 2, 1999

Examiner

J. CARLSON

Group Art Unit

3622

Invention: **METHOD AND APPARATUS FOR FACILITATING THE SALE OF SUBSCRIPTIONS TO PERIODICALS****RECEIVED**

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